

# AGA CLIMATE CHANGE PRINCIPLES

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### **Introduction**

Natural gas is a clean and efficient fuel from an environmental perspective. It contains very low levels of pollutants and emits less carbon relative to other fossil fuels. It is also highly efficient in its production, transportation and use. When natural gas is used, very little fuel is wasted from the point of production through consumption. This combination of relatively low pollutants and emissions and high efficiency levels results in less environmental impact than other fuels with respect to climate change, acid rain, urban smog, solid waste, water quality and visibility. In fact natural gas' attributes make it particularly noteworthy with respect to climate change in that the core philosophy to reducing greenhouse gas emissions is the increased efficient use of clean fuels.

The use of natural gas in high efficiency residential, commercial, transportation, industrial and electricity generation applications is key to any attempt to lower U.S. greenhouse gas emissions. From residential water heaters to industrial furnaces and natural gas vehicles, natural gas is already providing benefits and only stands to deliver more benefits with increased use. Natural gas is also a very efficient fuel for generating electricity in both small and large applications and it will be necessary to ensure grid reliability as our reliance on intermittent renewable energy increases in the future. Sound public policy should promote a diverse mix of clean and efficient generating options - including nuclear, integrated gasification combined cycle (IGCC) and other clean coal technologies, wind, solar and other renewables - as well as natural gas.

Natural gas should be a cornerstone in any viable greenhouse gas reduction program. It is an abundant domestic fuel and new technologies continue to provide new means to find and produce it. Our natural gas supply comes not only from conventional drilling in the U.S. and Canada, but also from unconventional sources such as shale formations and coalbed methane via technologies that were unavailable a few short years ago. The dramatic rise in the contribution of gas from shales over the past few years mirrors the progress witnessed for coalbed methane a little over a decade ago – technological advances allow a previously inaccessible resource to supply the market. These supplies will be supplemented in the future by

extensive and diverse sources of gas in Alaska, in other parts of the world and in hydrate formations, providing thousands of years of supply. Renewable sources of natural gas have a limited role in the supply mix today, but that role will expand in the future. The natural gas resource base is abundant, but access to the supply resource and the development of the infrastructure necessary to produce, store and transport natural gas must be fostered to provide environmental gain.

The following principles elaborate on how natural gas can most effectively be used to reduce greenhouse gas emissions while protecting the interests of homeowners, small businesses and manufacturers.

1. Climate change mitigation is a national priority and federal action to reduce greenhouse gas emissions is warranted. Such action should be developed in concert with national energy and economic conditions and goals.
2. All sectors of the economy should contribute to reducing greenhouse gas emissions and any control program should seek to maximize efficiency and effectiveness while minimizing overall costs. Each sector should be dealt with in a manner consistent with its economic impact, its contribution to the problem and the degree to which it can help reduce greenhouse gas emissions; therefore a uniform program for all sectors may not be desirable. The cost of climate change mitigation should be equitably allocated across all sectors and recognition of costs that were incurred in the past as a result of early action to reduce greenhouse gas emissions is critical. For example, there should be recognition of the fact that while the number of U.S. households using natural gas increased from 38 million in 1970 to over 65 million today, their greenhouse gas emissions have decreased. The aggressive promotion of various programmatic measures by local natural gas utilities, including a variety of energy conservation and efficiency programs, as well as the implementation of greater efficiency-inducing building codes and appliance standards, is in part responsible for this dramatic and enviable statistic. Based on the past successes of programmatic measures, they should be relied on in the future for this sector as opposed to a cap-and-trade approach.

3. High efficiency end-use natural gas applications should be a cornerstone of any greenhouse gas emission reduction program. The efficient direct use of natural gas in homes and businesses across America should be encouraged, not discouraged, as part of any comprehensive climate change effort.
4. A diverse mix of low greenhouse gas emitting energy sources – including solar, wind and other renewables, clean coal, nuclear power and high efficiency natural gas options from combined heat and power systems to combined cycle powerplants – should be promoted for electricity generation.
5. The appropriate point of regulation for natural gas in a cap and trade program will depend on the overall construction of the plan. It must be recognized, however, that local natural gas utilities are merely regulated retail distributors of the fuel and full recovery of any costs incurred by these utilities to meet the climate change obligations of their customers must be ensured.
6. Natural gas is an abundant, reliable and diverse domestic resource. The potential for natural gas to help reduce greenhouse gas emissions can only be fully realized with adequate access to the resource base and adequate infrastructure to produce and deliver it.